COTTON INCORPORATED’S
CONSUMER & RETAIL INSIGHTS

300,000+
INTERVIEWS CONDUCTED

1,500,000+
GARMENTS AUDITED

625,000+
REVIEWS ANALYZED
Global Apparel Spending 2030

Growth from 2016 to 2030 (Billions USD)

- **China**: $587 billion, +112%
- **Europe**: $439 billion, +18%
- **United States**: $401 billion, +19%
- **Rest of the World**: $25 billion, +37%

$14 billion, +49%

Source: Euromonitor
Global Trends and Challenges

*U.S. consumers’ interest in clothing*

<table>
<thead>
<tr>
<th>Preferred Item to Shop</th>
<th>Top Purchase Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food – 33%</td>
<td>Fit</td>
</tr>
<tr>
<td>Electronics – 25%</td>
<td>Comfort</td>
</tr>
<tr>
<td>Clothes – 25%</td>
<td>Quality</td>
</tr>
<tr>
<td>Cosmetics – 8%</td>
<td>Price</td>
</tr>
<tr>
<td>Shoes – 5%</td>
<td>Durability</td>
</tr>
</tbody>
</table>

Source: Cotton Incorporated *Lifestyle Monitor™* Survey
Colombia and the Global Apparel Industry

Outline

Do Better for Self

Do Better for the World

Self Expression

Retail Experiences
Do Better for Self

Outline

Stress in Modern Life
Performance Technologies
Smart Clothing for Stress Relief
Problem: Stress in Modern Life

Modern life has brought high stress to many
Consumers want their clothing to do more

Percent saying they are likely to look for the following features in apparel:

- Odor Resistant: 62%
- Wrinkle Resistance: 55%
- Moisture Wicking: 54%
- Sweat Hiding: 54%
- Fade Resistance: 54%
- Durability Enhancement: 52%
- Thermal Regulating: 48%
- Water Repellant: 44%

Source: Cotton Incorporated Lifestyle Monitor™ Survey
Stress-Relieving Performance

Consumers are attracted to smart textiles that address physical symptoms of stress

Percent saying they are likely to purchase clothing with the following features:

- Relieve Stress: 53% (U.S.), 51% (Mexico), 69% (Colombia)
- Monitor Heart Rate: 49% (U.S.), 44% (Mexico), 64% (Colombia)
- Monitor Hydration: 49% (U.S.), 47% (Mexico), 63% (Colombia)
- Alert for Incorrect Movement: 44% (U.S.), 41% (Mexico), 58% (Colombia)
- Manage Mood/Emotions: 37% (U.S.), 40% (Mexico), 49% (Colombia)
- Monitor Perspiration: 34% (U.S.), 44% (Mexico), 79% (Colombia)

Source: Cotton Incorporated’s Lifestyle Monitor and CCI & Cotton Incorporated’s Global Lifestyle Monitor
Apparel for Stress Relief

*Integrating technology in “smart apparel”*

Bring Your Mind In-tune with Your Body

The VITALI Smart Bra tracks your breathing, and heart rate variability (HRV), key physiological indicators of the balance between stress and your wellbeing. The biofeedback gives you guidance at the time when an unbalance is first detected, so small actions such as taking a deep breath can effectively take you back on track.
Do Better for Self

Apparel can help ease burden of modern life

Stress is building for consumers across the globe

Add performance features so that clothing can do more for consumers

Explore smart textiles for stress-relieving performance
Do Better for the World

- Environmental Issues
- Sustainable Purchase Drivers
- Circular Fashion
Environmental Issues Affect Daily Life

Consumers in developing markets are especially concerned with environmental change.

Source: CCI & Cotton Incorporated’s Global Environment Survey
Top Environmental Concerns

Consumers across the globe have environmental concerns

U.S.
- Water Quality
- Air Quality
- Food Safety
- Depletion of Natural Resources

Rest of World
- Air Quality
- Food Safety
- Water Quality
- Climate Change

Source: CCI & Cotton Incorporated’s Global Environment Survey
Common Sustainable Actions

Consumers take various actions to improve environmental conditions.

- Recycle cans, bottles, paper, etc. (82%)
- Use refillable water bottle (74%)
- Purchase appliances that conserve energy (72%)
- Limit water usage at home (69%)
- Recycle clothing or textiles (65%)
- Purchase locally made products (62%)
- Use my own bags while shopping (59%)
- Reduce consumption of goods (55%)

Source: CCI & Cotton Incorporated’s Global Environment Survey
Why Take Sustainable Actions

Consumers across the globe have different motivations for seeking sustainability clothing.

Mexico
- Protect the world for future generations
- Live a healthier lifestyle
- Create a better world for myself

U.S.
- It is the right thing to do
- Protect the world for future generations
- Live a healthier lifestyle

Source: CCI & Cotton Incorporated’s Global Environment Survey
Sustainable clothing matters to consumers

Effort Finding Sustainability Clothing

- USA: 42%
- Mexico: 69%
- Colombia: 48%
- World average: 54%

What Makes Clothing Sustainable

Consumers describe sustainable clothing as “Natural” and “100%” cotton

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural</td>
<td>47%</td>
</tr>
<tr>
<td>100% Cotton</td>
<td>47%</td>
</tr>
<tr>
<td>Organic</td>
<td>43%</td>
</tr>
<tr>
<td>Durable or Long-Lasting</td>
<td>43%</td>
</tr>
<tr>
<td>Recycled</td>
<td>42%</td>
</tr>
<tr>
<td>High Quality</td>
<td>40%</td>
</tr>
</tbody>
</table>
Brands Partner in Sustainability

Brands connect with consumers over environmental concerns

#optoutside

RESPONSIBILITY

At Timberland, we strive to be Earthkeepers in everything we do. We work hard to make our products responsibly, to protect the outdoors, and to serve the communities around the globe where we live, work and explore. Explore our Responsibility website to learn more, and come back often - because we never stop making things better.
Circular Fashion

Commitment to a more sustainable future
Circular Fashion: Increasing Longevity

Brands increase clothing durability to reduce industry waste
Circular Fashion: End of life

Brands looking for end of life uses for garments
Cotton Isn’t Just for Clothing

Cotton has many uses
Do Better for the World

- **Recognize** that environmental issues are important to consumers

- **Connect with consumers** by speaking to environmental concerns and purchase drivers

- **Partner in sustainability** with durable clothing and circular fashion
Self Expression

Outline

Athleisure Lifestyles

Denim Reimagined
Value Self-Expression

Consumers value self-expression

Percentage of consumers who value self-expression:

- 77%
- 68%
- 64%

Source: Iconoculture Global Values Study
Authentic Clothing

Consumers look to clothing to express who they are

Percent saying they wear clothing as a way to express themselves:

- **Women**: 62%
- **Men**: 50%

- **Generation**
  - **Gen Z**: 72%
  - **Millennial**: 66%
  - **Gen X**: 59%
  - ** Boomers**: 38%

Source: Cotton Incorporated Lifestyle Monitor™ Survey
Global Denim Jeans and Athleisure Sales

Sales of athleisure levels off but both denim and athleisure are still projected to grow

Source: Global Industry Analysts, Inc. & Euromonitor International
Athleisure

Brands utilize cotton-rich collections for their athleisure lines

Percentage of consumers who prefer cotton-rich activewear.

54%

U.S.

Source: Cotton Incorporated Lifestyle Monitor™ Survey
Microplastics Issue

Microplastics pollution widespread

Source: Adventurers and Scientists for Conservation Microplastic Study
Denim Affinity

Colombian consumers especially love denim

Percent who love or enjoy wearing denim:
- 55%
- 82%
- 71%

Average days/week wear denim:
- 3.4 days
- 4.0 days
- 4.6 days

Source: Cotton Incorporated’s Lifestyle Monitor™ and CCI & Cotton Incorporated’s Global Lifestyle Monitor Surveys
Bottomswear Preferences by Occasion – U.S.

Consumers prefer denim jeans outside the home

Preference by Type

Run Errands

- Denim: 58%
- Activewear: 20%

Out to Dinner

- Denim: 42%
- Activewear: 2%

At Work

- Denim: 33%
- Activewear: 4%

Hang Out At Home

- Denim: 41%
- Activewear: 33%

Do Yardwork

- Denim: 42%
- Activewear: 40%

Source: Cotton Incorporated Lifestyle Monitor™ Survey
Authentic Denim

Consumers view cotton as the only authentic denim

Percent of consumers who say cotton jeans are more ________ compared to jeans made with manmade fibers

- Authentic: 88%
- Sustainable: 88%
- Comfortable: 87%
- Quality: 85%

Source: Cotton Incorporated Lifestyle Monitor™ Survey
Self-Expression

Consumers value self-expression and look to clothing to express themselves.

Incorporate cotton into activewear offerings to increase its comfort.

Build on denim jeans’ cachet by marketing its versatility and style.

All About Retail

Outline

- Consumer Shopping Journey
- Online Inspiration
- In-store Experiences
Increased Interest in Clothes Shopping, Mainly Among Men

Percent of consumers who love or enjoy shopping for clothes

Source: Cotton Incorporated 2017 Lifestyle Monitor™ Survey
Fast Fashion, Off Price, E-Comm Competition

Consumers still like to shop, but have diversified their spending

<table>
<thead>
<tr>
<th>Retailers</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Merchants</td>
<td>59%</td>
<td>58%</td>
</tr>
<tr>
<td>Low-tier Dept.</td>
<td>55%</td>
<td>53%</td>
</tr>
<tr>
<td>Department</td>
<td>39%</td>
<td>41%</td>
</tr>
<tr>
<td>Specialty</td>
<td>34%</td>
<td>37%</td>
</tr>
<tr>
<td>Fast Fashion</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>Off Price</td>
<td>32%</td>
<td>35%</td>
</tr>
<tr>
<td>Online Only</td>
<td>30%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: Cotton Incorporated 2017 Lifestyle Monitor™ Survey
Stores Opening Focus on Price, Convenience, and Beauty

Over 4,000 net stores opening

Stores Closing:

- Rue 21
- Sears & Kmart
- Gymboree
- The Limited
- Bebe Stores Inc.
- Wet Seal
- JCPenney
- BCBG
- American Apparel

 Stores Opening:

- Gordmans Stores, Inc.
- Michael Kors
- Gap
- Guess
- Chico’s
- Lucy Activewear
- Lululemon Athletica
- Dollar General
- Dollar Tree
- 7 Eleven
- Aldi
- TJX
- Tractor Supply
- Sally Beauty
- Casey’s
- Ulta
- Five Below

For Each Company Closing Stores, 2.7 Are Opening Stores
Many traditional retailers are struggling to meet changing shopping behaviors

U.S. Retail

Off Price
Fast Fashion
Online Only
Sporting Goods
Mass Merchants

Department
Specialty
Fast Fashion

Department
Specialty
Closets Still Full of Clothes

*U.S. consumers own slightly more than average*

Average number of garments owned:

- **World**: 75
- **U.S.**: 76
- **Colombia**: 103

*Source: Cotton Incorporated’s Lifestyle Monitor and CCI & Cotton Incorporated’s Global Lifestyle Monitor*
Consumer shopping journey is complex

SEARCH THE WEB

EMAILED ADS

SHOPPING IN STORE

WORD OF MOUTH

MOBILE SEARCH

ONLINE REVIEWS

TV/DIGITAL ADS

ONLINE PURCHASE

SHARE

PURCHASE
Consumer Shopping Journey

Most U.S. consumers prefer to buy in store, but research most research clothes online

Percentage of consumers who prefer a physical store for the following:

- Clothing research: 45% (U.S.), 54% (World)
- Pre-purchase questions: 66% (U.S.), 67% (World)
- Purchase: 72% (U.S.), 74% (World)
- Repeat purchase: 55% (U.S.), 61% (World)

Source: Cotton Incorporated’s Lifestyle Monitor and CCI & Cotton Incorporated’s Global Lifestyle Monitor
Where Does the Clothing Search Begin Online?

*Where do they get ideas when browsing online*

<table>
<thead>
<tr>
<th>Source</th>
<th>Websites</th>
<th>Emails</th>
<th>Apps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailers</td>
<td>41%</td>
<td>24%</td>
<td>18%</td>
</tr>
<tr>
<td>Social Media</td>
<td>Facebook</td>
<td>Pinterest</td>
<td>Instagram</td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>E-Comm</td>
<td>16%</td>
<td>13%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Cotton Incorporated 2017 Lifestyle Monitor™ Survey
Where Clothing Ideas Come From: - U.S.

Younger consumers focus more online for clothing ideas

35+ yrs. old

- 28% Already own and like
- 27% Television
- 23% Social Media

13-34 yrs. olds

- 50% Already own and like
- 41% Brand or Ecommerce Sites
- 40% Television
- 44% Social Media

Source: Cotton Incorporated Lifestyle Monitor™ Survey
Social Media Continues to Influence Consumers

Social network users by country

- Argentina: 76%
- United States: 71%
- UK: 66%
- China: 65%
- Mexico: 64%
- Colombia: 63%
- Japan: 56%
- Indonesia: 49%
- Germany: 46%
- India: 19%

Source: Hootsuite & We Are Social’s Digital in 2018
Traditional Retail Is Still Very Much Alive

In-store apparel buying is still king

Percentage of consumers who have ever shopped for clothing online:

- U.S.: 89%
- Colombia: 36%
- World: 72%

Source: Cotton Incorporated's Lifestyle Monitor and CCI & Cotton Incorporated's Global Lifestyle Monitor
Why Prefer Physical Store – U.S.

*Consumers want to physically interact with clothing*

Percent who prefer physical stores for the following reasons:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Try on clothes</td>
<td>69%</td>
</tr>
<tr>
<td>See item in person</td>
<td>64%</td>
</tr>
<tr>
<td>Feel fabric</td>
<td>54%</td>
</tr>
<tr>
<td>No shipping cost</td>
<td>42%</td>
</tr>
<tr>
<td>Easy</td>
<td>31%</td>
</tr>
<tr>
<td>No waiting</td>
<td>28%</td>
</tr>
<tr>
<td>Shopping experience</td>
<td>23%</td>
</tr>
<tr>
<td>Customer service</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Cotton Incorporated Lifestyle Monitor™ Survey
Amazon
Share of the Fashion Market Expanding

Amazon net sales year-on-year

- North America net sales
- International net sales

$40 billion

Source: Cotton Incorporated 2017 Lifestyle Monitor™ Survey, CommScore, Morgan Stanley
Get to Know Customers Better

Personalize my shopping experience

Wish brands knew what I like & how I shop

- U.S. Consumers 46%
- U.S. Consumers <35 57%

Offered personalized shopping collections for me

- 63%
- 54%

Source: Cotton Incorporated’s Lifestyle Monitor Survey
Shopping is about Experience
Consumers prefer a multifaceted shopping experience

“The best retail environments will create a true sense of arrival, destination, and community”

- Retail Design Collaborative, 2018

REI: Climbing Wall, Denver, CO

B8ta technology “experience” stores
Frictionless Payment

A new way to bring shopping ease to physical stores

Support Frictionless Payment Methods

- Sensor Fingerprinting: 50%
- Facial Recognition: 35%
- Retinal Scanning: 31%

Source: Juniper Research report: Future In-store Retail Technologies: Adoption, Implementation & Strategy 2017-2022
Consumers are using digital in-store already....

Consumers remain digital even when they are in-store....

- **Browse clothing at different retailers**
  - U.S. Consumers: 31%
  - Chinese Consumers: 58%

- **Look-up coupons**
  - U.S. Consumers: 44%
  - Chinese Consumers: 52%

- **Compare prices at different retailers**
  - U.S. Consumers: 47%
  - Chinese Consumers: 32%

Source: Cotton Incorporated’s *Lifestyle Monitor* and CCI & Cotton Incorporated’s Chinese Consumer Survey
Mixing Digital and Physical is Essential

*Keep your customers focused on your brand and shopping experience*

Would like brands to combine digital in physical stores

- Overall: 43%
- Gen Z: 55%
- Gen Y: 54%

Source: Cotton Incorporated Lifestyle Monitor™ Survey
All about Retail

Preference for physical stores remains strong, especially in Latin America

Invest in consumer experience to combine entertainment and commerce

Seamlessly blend digital in the physical stores to keep consumers engaged